

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

United States of America,)
) File No. 16CR334
) (JNE/KMM) (2)
Plaintiff,)
)
vs.) Minneapolis, Minnesota
) July 9, 2019
John L. Steele,) Courtroom 12W
) 9:42 a.m.
Defendant.)
)

BEFORE THE HONORABLE JOAN N. ERICKSEN
UNITED STATES DISTRICT COURT JUDGE
(SENTENCING)

APPEARANCES

For the Plaintiff: Assistant U.S. Attorney
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P R O C E E D I N G S

IN OPEN COURT

(9:42 a.m.)

THE COURT: Good morning. Please be seated.

And, counsel, would you identify yourselves for the record? Start with Mr. Langner.

MR. LANGNER: Good morning, Your Honor. Ben Langner on behalf of the United States.

THE COURT: And I would pronounce your name, but I can't. I'll let you do it.

MR. EIGLARSH: Good morning, Your Honor. Mark Eiglarsh on behalf of Mr. Steele, who is present in court.

THE COURT: Welcome all. Let's turn our attention to the guideline calculations. I know that the government is going to make a motion, which I will grant but we do have to address the guidelines first.

It looks like the parties are in agreement and that your agreement is essentially the same, I think you might have used an old guideline table, but that your agreement is that the total offense level is 30. Criminal History Category does turn out to be a 1, which is what was expected, but there's an agreement that it's a 30. Is that right, Mr. Eiglarsh?

MR. EIGLARSH: That is correct, Your Honor.

THE COURT: Mr. Langner?

1 MR. LANGNER: Yes, Your Honor.

2 THE COURT: All right. So I don't want you to get
3 too alarmed about this, but I don't know that I agree with
4 that, and it has to do with the role in the offense. And I
5 have read and respect very much the government's desire and
6 commitment not to use any of the defendant's cooperation as
7 part of enhancing the guideline, and for that reason, you
8 all have come to the agreement that there should be a two
9 level as opposed to a four-level enhancement.

10 Okay. As part of the Court's obligation to make
11 an independent assessment of the propriety of that range, I
12 looked at whether the scheme is otherwise extensive, and I
13 also respect that the full expanse of this vile scheme was
14 made more clear by Mr. Steele's cooperation, correct me if
15 wrong, Mr. Langner, but the cooperation was post-indictment,
16 correct?

17 MR. LANGNER: That's true, Your Honor.

18 THE COURT: So the scheme as set out in the
19 indictment qualifies as otherwise extensive. There are five
20 people named, and I'm not using the number of people and
21 that's because all of the individuals and their roles were
22 laid out by Mr. Steele and that's not to be used against
23 him, but the extensive nature of the scheme, the phony
24 corporations, and all that at least one wasn't a
25 corporation, it was an LLC, but organizations out of Nevis

1 and Saint Kitts, the doubling down on the fraud in this
2 really sneaky and underhanded way after Court started to be
3 critical of the phony lawsuits. I can't not find that that
4 qualifies as otherwise extensive.

5 So unless you have some strong agreement, I'm
6 going to be granting the government's motion, in any event,
7 so as I said I don't want you to get too alarmed about that,
8 but I don't see how this offense even just looking at the
9 scope charged in the indictment could not be otherwise
10 extensive such as to qualify for the four levels as opposed
11 to the two levels. So, all right, that is the finding of
12 the Court with respect to the guidelines.

13 So total offense level of 32. I do grant the
14 three points for acceptance of responsibility and accept all
15 the other calculations in the PSI. Criminal history
16 category of 1. That yields a guideline range of 121 to 151,
17 and a fine range of -- I'm going to ask the probation
18 officer to make sure this is right -- I've got 17,500 to
19 \$500,000. Would you let me know if that's wrong?

20 PROBATION OFFICER: That's correct, Your Honor.

21 THE COURT: Okay. Thank you. And then the one
22 year to three years for supervised release.

23 Mr. Eiglarsh, my practice is normally to hear from
24 defense counsel and then to hear from the prosecutor and
25 then to hear from the defendant if he wants to say anything.

1 We can proceed that way, or in view of the importance of the
2 cooperation motion, maybe it makes sense for me to hear from
3 the prosecutor first. I'll hear from you in whatever order.
4 I'll let you pick, Mr. Eiglarsh.

5 MR. EIGLARSH: Whatever the Court's pleasure but
6 prior to hearing from me, my client is eager to speak to the
7 Court, and I would like that to occur before I say anything.
8 So if the government wanted to go and then I just wanted my
9 client to be heard before I speak to the Court.

10 THE COURT: Well, all right. We've never done
11 that but there's no reason not to.

12 Mr. Steele, did you want to go first? The reason
13 I usually have the defendant go afterwards is so you can
14 hear what the lawyers are going to say, but if you want to
15 go now, you can go now. It's up to you.

16 I've read your statements, but if you'd like to be
17 heard, come on up to the podium and we'll hear from you.
18 It's up to you.

19 Mr. Eiglarsh, do you want to stand with him while
20 he gives his statement or not?

21 MR. EIGLARSH: I'm sorry, Your Honor?

22 THE COURT: Did you want to be with your client
23 while he makes his statement?

24 MR. EIGLARSH: I'm with him, but I'll be seated
25 here.

1 THE COURT: All right. Mr. Steele?

2 THE DEFENDANT: Good morning, Your Honor. Before
3 I begin my comments, I want to take a moment to apologize to
4 this Court. I'm sorry. I'm sorry for the illegal and
5 stupid things that not only I did but that I was aware of
6 and I did not share when I should have, so there's no
7 rationalizing or justifying my actions, obviously. My ego
8 harmed this very legal system that I swear an oath to. I
9 stand here today understanding my failure to act
10 appropriately and with virtue.

11 It's interesting exactly actually 11 years ago
12 today, July 9, 2008, I was admitted to the Illinois bar.

13 THE COURT: Is that right?

14 THE DEFENDANT: Yeah.

15 THE COURT: Eleven years to the day?

16 THE DEFENDANT: To the day. To the day. Just one
17 of those oddities I guess. So it was interesting because I
18 went to law school as a later student. I was 37. Then I
19 was raised as a teenager, I spent most of my life in real
20 estate up to that point. I was renovating homes in Florida
21 and also taught computer classes, and I would say I lived my
22 first 37 years in I guess 39 or so, as an upstanding member
23 of my community. But, obviously, that changed.

24 So in 2003, my father died unexpectedly, and he
25 said I always wanted you to go to law school, so I proceeded

1 to make the first of I always tell my attorney three stupid
2 decisions that I made that got me here today.

3 I see this word "stupid" and it's just an
4 interesting word because when I was looking at how other
5 people respond to this process, they use words like "wrong",
6 that they did wrong, but I think all of these things that
7 came up and all I could think of is the word "stupid." I
8 mean I think of certain moments where choices were made, and
9 the only choice that was the only choice I took that I can
10 describe appropriately would be stupid.

11 So, anyways, the first stupid decision I made was
12 I enrolled in law school without having any sense of mission
13 other than making money, other than looking at it as any
14 other profession I had done. Looking now, obviously, it is
15 a completely different area than what I had done earlier in
16 my life. As a newly minted attorney in 2008, I didn't
17 really understand the fiduciary duties that I had. I had
18 taken, I remember going to the MPRD exam, oh, this is
19 another thing I got to knock out on the way to my career.

20 THE COURT: The professional responsibility?

21 THE DEFENDANT: Right, right, and instead of
22 saying, wow, this is really important stuff I should take
23 here. It was like basically studying for any other exam.

24 And the second stupid decision that I made was in
25 April of 2010, it was -- I'll never forget that day. Sorry.

1 I received a call from Paul Hansmeier about an
2 idea he had to sue pirates who are caught stealing content
3 online. And regardless of whose idea it was, I was at fault
4 for not exercising good judgment and for all the mistakes
5 that I made afterwards.

6 THE COURT: Did you know him or was he a voice out
7 of the blue?

8 THE DEFENDANT: No, he went to law school with me,
9 and he had reached out to multiple people. In fact, I think
10 all the people that he worked with from Minnesota and
11 whatnot were fellow law students of his. And, you know, I
12 think of this saying what injures the hive injures the bee,
13 and I look back and I realize, you know, without even
14 realizing what I was harming on this side, I was also
15 harming myself, and I didn't realize I was doing either. I
16 was just -- I basically was doing what I did to make money.

17 And my third stupid decision when the Court
18 started demanding answers. You know, I could have taken --
19 well, let's just say -- let me back up.

20 In 2012, I moved back to Miami with the intention
21 of leaving law and returning to real estate. I made it
22 clear at that point to Hansmeier and others that I did not
23 want to do this litigation, and it was for my own reasons.
24 I, I had, for the last two and a half years, I had damaged
25 my marriage, ruined my reputation. I was a mess. I was in

1 a dark place, and I was reaping what I had sowed for sure.

2 Unfortunately, though, the consequences were just
3 beginning. One of the attorneys that Hansmeier was working
4 with filed a case before Judge Wright that would begin my
5 journey to further disrespect multiple courts, before Judge
6 Wright and other judges, I basically parsed facts, played
7 word games, hid behind the fig leaf that I didn't officially
8 own, companies that I knew they would do whatever me and
9 Hansmeier said to do, and listened to people I shouldn't
10 have listened to. Again, like I say, as a grown man, it was
11 my judgment to exercise, and failure to do so is the same as
12 doing it, doing it wrong.

13 So I knew all the time that Peter Hansmeier was
14 uploading content and hoping that people would take the
15 content, I knew that, maybe not at the exact moment, but I
16 quickly figured it out and knew directly. It was many times
17 I could have displayed courage when I was asked to speak
18 before a judge or submit a written answer for something, and
19 I could have told them, you know, like in front of Judge
20 Wright I could have said, you know, what, you know, I was
21 doing it technically correct, but not having candor, you
22 know, and so I could have told the truth in the true sense
23 and then told people what was going on at many different
24 times. And, you know, there's no high and mighty or really
25 exotic reason. I just didn't want to be punished. I just

1 didn't want to face this. And I know it was a contemptible
2 and inappropriate action for my duty. I mean I was still an
3 attorney, and I was still not doing what I should be doing.

4 I guess after years of treating everyone as a
5 means to an end, I disregarded people and compared them so
6 hard that I didn't even realize that I had fallen down that
7 slope.

8 So, anyway, in 2016, I was back to building homes
9 and renovating homes in Miami, and I had begun to take some
10 first steps because, yeah, I was in that valley, steps into
11 philosophy, dealing with my future, and also finally therapy
12 to deal with some of my past issues.

13 Then I was arrested, as this Court knows, in
14 December of that year, and I think of what Einstein said
15 about problems and that's that no problem can be solved with
16 a different level of consciousness than what created it.
17 And I know that you're sitting here today and perhaps
18 deciding in some way wanting to know if I'm the same person
19 that I was.

20 So I understand that actions speak louder than
21 words, and I'm sure that very few people get up here and
22 don't apologize for what they've done. I understand that.
23 I reflected long and hard how am I going to show,
24 demonstrate that I'm not the same person I was six years
25 ago. And I've had a lot of time to do this thankfully. I

1 don't think that if, frankly, I was here in 2014 that the
2 Court would have much to go on for my argument that I'm a
3 different person than I am now.

4 So let me just briefly tell you after I was
5 arrested, I hired Mr. Eiglarsh immediately instructing him
6 to reach out to the prosecutor. That's it. Let's get in
7 front of him, and, you know, I want to come completely clean
8 with everything. So I sat down with Mr. Langner and
9 discussed everything I did and others did, some pretty long
10 talks. Quite frankly, the weight was lifted off my
11 shoulder, and it was actually kind of empowering that this
12 cloud, you know, was just like...

13 It was also surprising because I actually got a
14 better understanding of the extent of certain things while I
15 talked to the prosecutors that I hadn't really, I guess,
16 appropriately considered. I mean I just didn't. It's
17 frustrating, I guess, is the only word I'm thinking in my
18 mind right now.

19 So I spent the last two years studying the Prapa
20 philosophy, which I'm not doing a very good job of it right
21 now called stoicism, and I've tried to live a life of
22 virtue. So as I mentioned in my letter I sent you, I
23 appreciate you including that, by the way, in the PSI
24 report.

25 THE COURT: We don't have a hard copy of that but

1 that will be filed, your statement will be filed as a
2 document in aid of sentencing. And unsealed, if it is
3 sealed, it will be unsealed at the conclusion of the
4 hearing, so.

5 THE DEFENDANT: Okay.

6 THE COURT: Go ahead and collect yourself. Do you
7 want a glass of water or anything?

8 THE DEFENDANT: No, I'm fine. So my first step,
9 as far as taking concrete actions to show this Court, is I
10 moving my ex-wife and daughter to family near family and
11 renovated a home for them, so that they would have a place
12 to stay. While I knew that I wasn't going to be able to
13 support them the way that I have always been supporting
14 them, and I've spent the last years working with my sister
15 renovating and working on home remodelling, raising my
16 daughter, and studying. I've apologized to my family who,
17 obviously, I've hurt, and most tragically, my young
18 daughter. And I've also written letters to certain federal
19 judges apologizing for my behavior.

20 I have submitted letters of support from family
21 and friends, of course. They are not here today at my
22 request. However, I just feel like today is me accepting
23 responsibility for my actions, so.

24 But the letters of support attempt to paint a
25 picture of who I am now versus who I was during my time as

1 an attorney. I'm close to my family, and I've been living
2 with one of my sister's for the last two years. This sister
3 has written a letter to the Court and explained that she
4 will assist during and after any transition from my
5 sentence.

6 As I mentioned, I worked in home remodelling prior
7 to my career and after I was arrested. I plan to continue
8 once I completed my sentence. The business owner that has
9 gotten to know me over the few years has submitted a letter
10 in my support and offered to bring me aboard after my
11 sentence. You know, I don't want to be a burden on the
12 community. I know that I have restitution. I know that I
13 have this obligation.

14 And I just wanted to kind of wrap it up by saying
15 I understand the first thing that I learned in my studies
16 was to know what I can and can't control. I look back, and
17 I catch myself wanting to control the past, and I can't
18 control that. I can't control what I've done and the stupid
19 things I've done and the failures I've done. All I can
20 control is, obviously, thoughts and actions now and in the
21 future.

22 I was talking about this, Tammy, my pretrial
23 officer, has told me two weeks ago that I'm one of the
24 people that she oversees that she's not worried about coming
25 back or having any kind of parole issues.

1 And I'm thankful to Ben Langner, the prosecutor,
2 for saying encouraging things about me and helping me
3 through this process a little bit. I know I must be held
4 accountable for my actions I took as an attorney years ago,
5 regardless of where I am now. I just think it's important
6 that you understand that I've made concrete steps to
7 apologize to the courts that I've hurt. This is, was harder
8 than I thought.

9 I've already taken whatever steps I can to prepare
10 for my life after prison; but, frankly, when I pay my debt
11 to society, I want to re-enter that society. I spent a good
12 portion of my life being a soccer dad, doing all that stuff.
13 You know, this is, obviously, a bad period that I take
14 responsibility for, but, you know, I, moving forward, I want
15 to return to being that person that I am, that I know I can
16 be.

17 Thanks for listening to me today. I appreciate
18 putting up with me, and I just think it's a good, it's
19 important that I sort of stand here and look at you and
20 apologize. Thank you.

21 THE COURT: Thank you. Just hold on one second.
22 I just want to let you know that you did say one thing that
23 bothers me, and I'm going to give you a chance to respond to
24 it, if you want. And I'm happy to address this to your
25 lawyer if you choose, but the reference to your statements

1 to the federal courts being technically correct. I
2 understand maybe that you were talking about some of the
3 representations with respect to nonpersonal ownership of
4 corporations, but I just want to understand whether you're
5 claiming that all your statements to courts were technically
6 correct.

7 THE DEFENDANT: No, of course not.

8 THE COURT: As opposed to an injurious nature, and
9 I don't think that's what you mean, but I just want to clear
10 the air on that. I don't want to, on some level, hold it
11 against you that you are claiming that your statements were
12 technically correct when some were, but mostly they weren't.

13 THE DEFENDANT: No, actually they were worse than
14 technically incorrect because I knew that by having helped
15 set up these companies and not having my name on them, I
16 could later be technically accurate in the sense of saying I
17 didn't own something when I did, but -- the other things,
18 yes, I was not correct in any inference that I was trying to
19 hedge my bets that I was somehow respecting the Courts in
20 this process, no.

21 THE COURT: Okay. All right. Okay, thank you
22 very much. I appreciate it.

23 Mr. Langner?

24 MR. LANGNER: Your Honor, the government is moving
25 under 5K for the Court to reduce Mr. Steele's sentence for

1 his cooperation with the government. And we submitted a
2 motion, but we also submitted I think a fairly detailed
3 letter to the Court that laid out in more detail just a few
4 of the things I'm going to cover more briefly today. But I
5 think the thing that is most significant to the government,
6 and this goes to the 5K but it also just goes to 3553 is
7 there was a significant, a stark difference in the way that
8 Mr. Steele handled being charged with a crime and the way
9 that Mr. Hansmeier dealt with being charged with a crime.

10 The first and foremost of those, which is,
11 obviously, the subject of our 5K motion is that Mr. Steele
12 cooperated with the government. He provided detailed
13 information to us, laid out everything about this scheme
14 from start to finish, didn't hesitate to provide any
15 information that we asked for. And I think his cooperation,
16 his willingness to testify, the detailed statement that he
17 gave to us that we provided to Mr. Hansmeier not long before
18 he pled guilty, I think, was the dominant factor in getting
19 Mr. Hansmeier to plead guilty.

20 Obviously, there was other evidence. We had, I
21 think, a strong case, but Mr. Steele's position on the
22 government's side in cooperating and being willing to
23 testify, I think, was a very significant factor in that
24 guilty plea.

25 The second, I think, very significant difference

1 between Mr. Steele and Mr. Hansmeier is that Mr. Steele
2 fully admitted his guilt. You know, immediately after being
3 charged, I got a call from Mr. Eiglarsh saying my client
4 wants to come in and meet with you and tell you everything.
5 And I think, you know, initially I even told him maybe you
6 want to take a little time because it's going to waste
7 everybody's time if he comes in and isn't fully on board
8 with the truth.

9 But he came in, and I mean I've been doing this
10 for 13 years now, and I got to say particularly for white
11 collar defendants, it's rare for somebody to come in and
12 really fully acknowledge what they did in the first go
13 around, and Mr. Steele did that.

14 You know, I know he's nervous today, and so it may
15 not come through in the same way, but he really did
16 acknowledge that he was wrong, that these things were wrong,
17 that he lied to courts. And, you know, everybody tried to
18 explain why they did things but, ultimately, his willingness
19 to say yes, this was wrong, that was wrong, I knew that, you
20 know, this wasn't a mistake. Even if something was
21 technically correct, it's my fault for not correcting it
22 with the Court. He really did do that and whether or not
23 that came through in what he just said, I can tell the Court
24 that I thought he was very truthful with us in a way that I
25 think is unique for a defendant in that position,

1 particularly for a significantly educated white collar
2 defendant. Sometimes I find those defendants have the
3 hardest time telling the truth the first time.

4 And I think the third thing, and maybe even the
5 most significant is unlike Mr. Hansmeier, Mr. Steele has
6 expressed regret and remorse for what he did. The Court has
7 now heard from Mr. Hansmeier, and now heard from Mr. Steele,
8 and I think there is a significant difference in the way
9 that they spoke to the Court and acknowledged what they did
10 wrong. You know, whether or not Mr. Steele said things
11 exactly right, he has expressed remorse. Every time he's
12 met with the government, he's gone through and talked about
13 how bad he feels for what he did to the court system and to
14 the defendant -- to the victims in this case.

15 So I also think based on, you know, the way
16 they've handed this case, that Mr. Hansmeier presents a much
17 higher risk of recidivism and engaging in future fraudulent
18 conduct. I don't think Mr. Steele does. I think that this
19 process hasn't truly changed him. And, you know, obviously
20 you can't eliminate that risk, but I do think it's
21 significantly less with Mr. Steele than it is with
22 Mr. Hansmeier.

23 And so the government's recommendation, Your
24 Honor, is a sentence of 60 months. And although the
25 government's guideline range that we sort of initially

1 derived that from is not the one that the Court ultimately
2 found, I do think 60 months, a 50 percent departure from the
3 guideline range that the Court has in front of it, is not an
4 unwarranted disparity.

5 As I said, there are significant differences
6 between these two defendants, and that 50 percent would be
7 in line with somebody who maybe testified at trial. But the
8 only reason Mr. Steele didn't get to testify at trial is
9 because he did his job in the first instance and came in,
10 provided a truthful statement and was ready to testify.

11 THE COURT: I mean there are problems with the
12 percentage anyway because that goes back to treating the
13 guidelines mechanistically, which they are not to be anyway.

14 MR. LANGNER: That's true, Your Honor.

15 THE COURT: I've never been for mathematical
16 calculation on the guidelines. I appreciate that your
17 office sometimes has to justify your request that way, but I
18 don't think in terms of that only because the starting point
19 is not as fixed as that calculation assumes. But anyway
20 that's all by way of saying that I respect your
21 recommendation.

22 MR. LANGNER: Very good, Your Honor. The last
23 thing I'd say is, obviously, we ask that restitution be set
24 in this case consistent with the same restitution for
25 Mr. Hansmeier. And I believe that amount was --

1 THE COURT: I've got it. It was the last thing I
2 looked up, and that's why I wasn't on the bench right
3 immediately at 9:30. Tell me if this is right:
4 \$1,541,527.37.

5 MR. LANGNER: I believe that's correct, Your
6 Honor. Wait, I'm sorry.

7 THE COURT: What do you have?

8 MR. LANGNER: I have \$1,505,927.37.

9 (Off the record discussion between prosecutor and
10 probation officer.)

11 MR. LANGNER: The probation officer reminded me
12 that I was not including one of the two exhibits. I think
13 the Court's number is correct. My number was based only on
14 Exhibit 1 for Mr. Hansmeier's sentencing, not Exhibit 1 and
15 Exhibit 2.

16 THE COURT: And is restitution still open? Are
17 you still asking for more? Do you want to have it left
18 open? Are you content to impose joint and several on that
19 same amount?

20 MR. LANGNER: Your Honor, I guess I would prefer
21 to impose it at this time. If there's a need to amend it,
22 we have gotten some additional stuff that's come in. We're
23 going to review that. There may be a point in time where we
24 make a motion to amend it if we feel like it's appropriate.

25 We also, according to the Court's instruction to us

1 last time, we're going to be sending letters to allow people
2 to opt out. So if there's a need to amend it, we could do
3 that in one motion with the Court, and I would rather just
4 enter it at this time.

5 THE COURT: I'll hear what Mr. Eiglarsh's
6 preferences are on that, but that certainly makes sense to
7 me. Thank you so much, Mr. Langner. I appreciate it.

8 MR. LANGNER: Thank you, Your Honor.

9 THE COURT: Mr. Eiglarsh? Welcome.

10 MR. EIGLARSH: Thank you, Your Honor. And
11 regarding that restitution issue, whatever the government
12 recommended is fine.

13 THE COURT: Okay.

14 MR. EIGLARSH: I thank you for the opportunity to
15 address the Court. I took the time to actually carefully
16 craft my words because I didn't want there to be any
17 regrets. I have a lot of thoughts about this case, and the
18 first thing that I wanted to say is I agree with my client's
19 assessment that his actions were stupid. I don't love that
20 word, but it was definitely very stupid for very bright
21 guys.

22 Several other words do come to mind like:
23 Reprehensible, abhorrent and criminal. I've been practicing
24 in State and Federal court for 26 years. And there's a
25 tarnish, there's a stain left by the actions of both him and

1 the co-defendant, and I take that very personally. I've
2 expressed that to my client. I'm not going to try to spin
3 what he did at all. He deserves to be punished. What I
4 will offer is solely mitigation. That's it.

5 Although, I've been practicing for 26 years, I
6 have to say that this sentencing is very challenging to me
7 personally. I wish I didn't like John as much as I do.
8 I've gotten to know him, and he has evolved since 2017.
9 Like I get to see what he's like when he's not at the
10 podium. I get to talk to him constantly. I get to meet
11 with him. He's become a friend, and I truly admire the work
12 that he has done on himself personally over the years and
13 also the work that he's done in this case for the
14 government.

15 I've seen the changes first hand. The sentence
16 that the government is recommending to the Court, the
17 60 months I believe is a very fair one under the
18 circumstances. His substantial assistance, as the
19 government maintains correctly, was essential to secure the
20 convictions against the co-defendant Paul Hansmeier in this
21 case.

22 After my client was indicted, I explained to him
23 here's my typical procedure. We don't do anything until we
24 get all of the evidence from the government. I will
25 thoroughly evaluate each and every piece of evidence and see

1 whether they can prove every single charge, every element of
2 the charge, and see whether there's even motions we can
3 file. He wasn't interested. John, it was almost like he
4 wanted to go to confession. I got to get to the table. He
5 was the one who pushed me to call Mr. Langner, not the other
6 one around, and get him to the table.

7 He was very eager to accept responsibility for
8 what he had done. And I remember Mr. Langner reminded me of
9 those conversations, Mark, are you sure if you need more
10 time, because Mr. Langner was reminding me of so many of
11 those clients who they say they're ready, but they'll tip
12 their kind of, put their toe in the water, right? We start
13 and then the government says get out of here. You know, go
14 tell your client he's got to jump in. He jumped in head
15 first.

16 I remember how uncomfortable I was sitting at the
17 table. I didn't even know what all the evidence was, and
18 all of us, and I'm referring to the agents who are here.
19 There were additional agents, additional prosecutors, a room
20 full of strangers, big conference room table, and my client
21 in detail with no lying in him whatsoever answer everything.
22 I mean everything. A lot of times, we're like, "Wait,
23 what?" It was fascinating, and that all came from him and
24 his willingness to speak in detail with no reservations and
25 no guarantees at all. Nothing.

1 He did ask like, well, what does this mean as far
2 as my sentence? He asked just informally. I said there's
3 no guarantees at all. In fact, you can give all this
4 assistance, and if they don't deem it substantial, you get
5 nothing, and then it depends on how they evaluate it.

6 So he participated in multiple interviews with the
7 government beginning in early 2017 and continuing until his
8 co-defendant Hansmeier was sentenced. The government
9 accurately described my client's participation in these
10 debriefings when they say that Mr. Steele provided an
11 accurate, detailed and unvarnished account of the scheme
12 that he perpetrated with Mr. Hansmeier. There was no lying
13 in him ever.

14 Now, Hansmeier finally pled guilty only after
15 receiving the government's Jencks material a month before
16 trial, which included a 14-page memorandum describing the
17 initial interview of John Steele. The admissions that
18 Mr. Steele made during all of his debriefings, I believe,
19 made it possible-- actually it was impossible now for
20 Hansmeier to continue to claim this bogus claim that he
21 proceeded in good faith. Eleven days after receiving the
22 Jencks material, Hansmeier pled guilty on August 17, 2018.
23 My client was ready, willing, able and eager to testify
24 against Hansmeier at his trial and Hansmeier knew that.

25 Now, Judge, it's important also to note the kind

1 of relationship that Steele and Hansmeier had. You had
2 asked him, well, wait, how did you know each other? From
3 law school. That was a friendship, a very close friendship
4 that never changed.

5 And the reason why I bring that up is, you know, a
6 lot of times I'm representing these guys, and they have a
7 falling out or there was never much love between the guys in
8 the conspiracy, and it's easy for them to testify against
9 the co-defendant. This was a close relationship that was
10 developed over so many years.

11 Although, my client actually never expressed it, I
12 know that he likely found his cooperation more challenging
13 in light of the special bond that they had. It's important
14 to note that. The government accurately states that
15 Hansmeier likely felt betrayed by Steele's decision to plead
16 guilty and cooperate with the government. The significant
17 disparity in their sentences is warranted in large part
18 because of the drastic difference in the way the two men
19 responded to their indictments. The government just
20 highlighted it. I want to make an important point about
21 that.

22 John immediately and wholeheartedly accepted
23 responsibility, provided substantial assistance. He has
24 expressed true remorse and regret for his prior conduct.
25 Hansmeier, on the other hand, he refused to accept

1 responsibility. He wouldn't apologize for defrauding courts
2 throughout the country, and he continued to conceal and hide
3 assets through a fraudulent bankruptcy and so much more.

4 I want to briefly discuss my client's abusive
5 childhood not at all to appeal to sympathy. That would be
6 transparent and that's not who I am. As noted in the PSI,
7 Mr. Steele experienced severe childhood physical and
8 emotional abuse at the hands of his parents. I've had
9 numerous private conversations with him to get to the core
10 of who he is, and there were real tears flowing from his
11 eyes when he talked about the detail, which I'm not going to
12 get into in open court, but the detail of specifically what
13 his mother did to him as a child. To this day, he struggles
14 daily to cope with the trauma that he experienced at such a
15 young age.

16 Without question, the abuse that he suffered
17 significantly affected the person that he became. It then
18 significantly impacted the choices that he made in his adult
19 life. Since he didn't get his parents unconditional love
20 and approval, he sought to bring in happiness and love from
21 the outside in. That meant, amongst other things, that he
22 believed that bringing in money and people's approval, that
23 was the key to his happiness.

24 He has since learned that happiness is an inside
25 job. I'm bringing up this childhood trauma not in any way

1 again to invoke sympathy at all or offer any excuse for his
2 behavior, rather the point is that John has learned to love
3 himself unconditionally. I've seen it firsthand. I don't
4 know that he demonstrated that fully up here. I think he
5 was very nervous, and those nervous laughs I think got in
6 the way of him connecting fully candidly to how he really
7 is. I think that his words that you have in his acceptance
8 of responsibility and what I'm sharing with you
9 authentically that I saw really does kind of reflect who
10 he's become.

11 I believe that because he's learned to love
12 himself and accept who he is unconditionally, he's
13 eliminated the primary root cause for his poor choices.
14 The extensive spiritual work that he has been engaged in
15 will eliminate the chance that he would ever remotely be
16 involved in something like this again. And the letter I
17 thought that I had filed it, but I filed it last night for
18 sure.

19 THE COURT: Okay, so it is filed. I was just
20 wondering -- okay, so it is filed. I don't have to ask you
21 to give us another copy?

22 MR. EIGLARSH: I filed it, and it's the letter
23 submitted by his therapist I believe supports the conclusion
24 that his chances of ever being back in front of you or any
25 other judge for any criminal wrongdoing is --

1 THE COURT: I've got the therapist's letter, which
2 is exactly as you say and then I've, obviously, got the
3 content here in the PSI of the letter, but the actual letter
4 is filed. It's just a technical point.

5 MR. EIGLARSH: Yes, I filed it last night.

6 THE COURT: Thanks, I didn't mean to get you off
7 track.

8 MR. EIGLARSH: So in terms of punishment, I do
9 want the Court to know that he has already suffered greatly
10 as a result of his actions. His marriage crumbled as a
11 result. And as a result of the divorce, he lost the ability
12 to live in the same home as his daughter. She's now
13 11 years of age. That's all he talks about. It hurts his
14 heart daily he's not able to put her to sleep at night, be
15 there when she wakes up, and always be in the same home with
16 her when she needs him. He knows he's going to have to do
17 time away from her, but as soon as they can get back
18 together would be ideal.

19 His actions caused him to lose his license to
20 practice law, which was the appropriate thing to do for
21 whoever took his license. All of his money and assets are
22 gone, including his father's inheritance. He'll be a
23 convicted felon the rest of his life.

24 Your Honor, as I conclude, I am aware that it's
25 important for the Court to send a message that conduct like

1 Mr. Steele's must be sufficiently punished. Yet, it's also
2 equally as important to send a message to those who what I
3 consider to be super accept responsibility, who go above and
4 beyond to assist the government, and engage in extensive
5 life altering internal changes should receive ample benefit
6 as well.

7 Some of the specifics, my client is requesting the
8 RDAP program. It's very important to him. His history of
9 using at least marijuana and other substances is documented
10 in the PSI. He would also like to be as close to his
11 daughter as possible. I had him do some research, and we're
12 recommending either, and the government has no objection to
13 these recommendations, the McKean FPC. That's going to be
14 15 minutes from where his daughter and his wife live.
15 Alternatively, Lewisburg FPC, that's L-e-w-i-s-b-u-r-g.
16 Both he checked out does have the RDAP program, which he
17 needs and would put him as close as possible to still
18 maintain a relationship with his daughter.

19 We also respectfully request a self-surrender any
20 time after September 1st. The government doesn't have an
21 objection to that, and the reason is he continues to share
22 time with his wife of his 11-year old daughter, and she goes
23 back to school at the very end of August. So ideally he
24 would like to spend that time with her and then any time
25 after September 1st.

1 Your Honor, I'd like to thank you on behalf of my
2 client and his family for the time to address you. I
3 passionately request both personally and professionally that
4 you ratify the government's request of 60 months. I believe
5 under the circumstances it's more than fair and reasonable.
6 I thank you.

7 THE COURT: Thank you. Nice to see you practicing
8 in Minnesota.

9 Mr. Steele, come on up to the podium with your
10 lawyer, please.

11 The crime that you committed was extremely
12 serious. You abused the court system as you say as a means
13 to your personal end. The courts are imperfect but yet
14 serve to act as a means to the ends of justice. They're not
15 a tool in the box of anybody's personal hustle.

16 Both your lawyer and the government lawyer have
17 eloquently spoken about your extraordinary reaction to being
18 charged, and I am convinced by those arguments that you do
19 represent a person who has the opportunity to change. I
20 don't know that you have changed completely as much as you
21 will in the future, but you certainly made extraordinary
22 strides, and those are to be recognized and will be
23 recognized in the sentence.

24 So on the one hand, we have this cynical and
25 vicious criminal activity. On the other, we have you as a

1 person with your difficulties and your actions post-arrest,
2 and the fact that even during -- there's really nothing good
3 that can be said about you during the offense except that it
4 wasn't your idea, and you weren't the original mastermind of
5 it.

6 A sentence of 60 months is it's a serious
7 sentence. It does accomplish the goals of punishment, yet
8 is not too much. It gives you a chance to resume your life
9 once you're out. I think that your lawyer has done an
10 outstanding job, I must say, of representing you, and the
11 government's lawyer, who also has done a very good job, have
12 come to a recommendation that is imminently fair and one
13 that I don't disagree with. So you are sentenced to the
14 custody of the Bureau of Prisons for a period of 60 months.
15 That does represent a granting of the government's motion
16 under 5K.

17 Now, I just want to say one thing about the areas
18 I think you might possibly run into in the future that could
19 cause you trouble, and I'm going to incorporate my thoughts
20 about this into some of the conditions of supervised
21 release. You have an entrepreneurial streak. And --

22 THE DEFENDANT: Yes, Your Honor.

23 THE COURT: And what worries me is having you have
24 control over anybody's money. And I know that you started
25 that school, and you've done some nonprofit work. All of

1 that makes me a little nervous just because even though
2 you're completely genuine in your belief that you've
3 changed. You'll see in the conditions of supervised release
4 that I don't want you to -- well, I'm going to order that
5 you don't. You can work with the probation officer if you
6 want to get around this condition, but it has to do with
7 holding positions with fiduciary duties. So that's why I'm
8 putting that in there.

9 THE DEFENDANT: I understand.

10 THE COURT: As a protection, because you might get
11 out and think I need some money. I want to start a
12 business, and then one thing could possibly -- I'm not
13 saying it would, could potentially lead to another. We just
14 have to do as much as we can to prevent this or anything
15 remotely similar from happening in the future.

16 So, first, I will order the restitution and that
17 is in the amount that we just talked about, which was
18 \$1,541,527.37, joint and several with your co-defendant
19 Mr. Hansmeier.

20 And in case I forget later, you do have to pay a
21 \$200 special assessment. That's one hundred dollars per
22 count of conviction. As I probably told you at the time of
23 your guilty plea, that money goes to the Crime Victims Fund.

24 I'm going to say two years of supervised release.
25 So on the restitution, you're to make payments of at least

1 one hundred dollars a month over a period of two years
2 starting 30 days after you're released from confinement.
3 Payments are to be made payable to the Clerk of U.S.
4 District Court for disbursement to the victims.

5 I would also say parenthetically you should stop
6 writing letters to judges for apologizing for behavior just
7 because I understand why you're doing it, but I'm telling
8 you not to do it anymore.

9 Over the period of incarceration, you are to make
10 payments of either quarterly installments of at least \$25,
11 if you have a non-UNICOR job or at least half of your
12 monthly earnings if you are working a UNICOR job. And I
13 recommend that you participate in the inmate financial
14 responsibility program while you are incarcerated.

15 Your obligation to pay the full amount of
16 restitution continues even after the term of supervised
17 release has ended and that's pursuant to 18 US Code
18 Section 3613. If you can't pay the full amount of
19 restitution at the time of the supervised release ends, you
20 may work with the United States Attorney's Office financial
21 litigation unit, colloquially known as the flu to arrange a
22 restitution payment plan.

23 I'm not going to impose a fine. The \$200 special
24 assessment isn't a fine, and I do do that, but I'm not going
25 to impose a fine. To the extent you have any money, I want

1 that to go to restitution.

2 The two years, I should say the 60 months is
3 concurrent on each of the two counts, and the two years of
4 supervised release is also concurrent on each of the counts,
5 so Count 1 and Count 17 to run concurrently.

6 The following mandatory conditions are applicable:

7 You must not commit any crimes: Federal, state, or
8 local. You must not unlawfully possess a controlled
9 substance. You have to submit to one drug test within
10 15 days of release from imprisonment, and at least two
11 periodic drug tests thereafter as determined by the Court.
12 You must refrain from any unlawful use of a controlled
13 substance.

14 You have to cooperate in the collection of DNA as
15 directed by the probation officer.

16 You have to abide by the standard conditions of
17 supervised release that have been adopted by the Court,
18 including report to the Probation Office in the federal
19 judicial district where you are authorized to reside within
20 72 hours of release from imprisonment, unless the probation
21 officer instructs you to report to a different probation
22 officer or within a different time frame.

23 You must not own or possess or have access to a
24 firearm, ammunition, destructive device or other dangerous
25 weapon. And you have to comply with the following special

1 conditions:

2 Submit to substance abuse testing as approved and
3 directed by the probation officer. I know people are
4 sometimes kind of disrespectful of the extent to which
5 marijuana can be an addiction, but so submit to that
6 substance abuse testing.

7 If you're not employed at a regular lawful
8 occupation as deemed appropriate by the probation officer,
9 you may be required to perform up to 20 hours of community
10 service per week until you are employed, and you must also
11 participate in training, counselling, daily job searches or
12 other employment related activities as directed by the
13 probation officer. Fortunately, it seems like you've got a
14 path to employment, but this is there in case you don't.

15 You have to provide to the probation officer
16 access to any requested financial information and that
17 includes credit reports, credit card bills, bank statements,
18 telephone bills, cable tv bills, anything that's going to
19 show your financial information.

20 You are prohibited from incurring new credit
21 charges or opening additional lines of credit without the
22 prior approval of the probation officer. And you're not to
23 hold employment with fiduciary responsibilities unless you
24 get prior approval from the probation officer. So those are
25 the conditions of supervised release. If you violate them

1 you're going to come back in front of me, and I'm going to
2 have to send you back to prison, so be forewarned.

3 I talked to you about the special assessment
4 already.

5 The remaining counts of the indictment will be
6 dismissed on motion of the United States.

7 MR. LANGNER: We move to dismiss the remaining
8 counts, Your Honor.

9 THE COURT: The motion is granted.

10 I will recommend to the Bureau of Prisons that you
11 participate in the Residential Drug Abuse Program. In terms
12 of placement, I recommend that you be placed at McKean or,
13 secondarily, at Lewisburg. Those are not idle
14 recommendations. Those are made on the fact that I have
15 trust and confidence in your lawyer, and I believe your
16 lawyer has done a good and responsible job of investigating
17 what institutions would be appropriate for you.

18 I independently believe that the location of those
19 institutions will assist you in your reintegration into the
20 community once you have finished serving your prison
21 sentence.

22 I have reviewed your record while you were out on
23 release and after some initial stumbles, you have been
24 completely compliant. That in conjunction with my sense
25 that you will make good use of this time leads me to the

1 very unusual decision that I will give you until
2 September 2nd to self-report. I'm not saying the 1st,
3 because that's a Sunday. I might be wrong about that.
4 Yeah, that's a Sunday, so I'm going to say Monday,
5 September 2nd to report.

6 I can't possibly imagine that you won't have been
7 designated to an institution by then but if you haven't,
8 then you are to report to the United States Marshal's Office
9 in -- where are you going to be living?

10 THE DEFENDANT: Right now I'm in Phoenix, Arizona,
11 but I will be in Pennsylvania at that time because I would
12 be returning my daughter.

13 THE COURT: I just have to pick a Marshal's office
14 as a backup. Normally, I would say Minnesota, but that
15 seems stupid to me to come here, speaking of stupid.

16 THE DEFENDANT: I just know there's a Western
17 District of Pennsylvania. I don't know if there's a
18 Marshals office there.

19 THE COURT: I want to know how far away you are
20 from Philadelphia.

21 THE DEFENDANT: Six hours. The closest big city
22 would be Erie is medium size and Buffalo, New York, would be
23 the closest big city.

24 THE COURT: Well, none of this is really going to
25 matter anyway but because you're not in custody, I don't

1 have a marshal here. Does the FBI know if there's a
2 Marshal's office in Erie?

3 PROBATION OFFICER: Your Honor, I'm not certain
4 how far but I believe he's closer to the Pittsburgh area,
5 which I would suspect would have a Marshal's office.

6 THE COURT: There we go. All right. Pittsburgh
7 it is. Okay, we'll say if for some reason you have not been
8 designated to an institution by September 2nd, you are to
9 report by 10 o'clock in the morning to the United States
10 Marshal's Office in Pittsburgh.

11 THE DEFENDANT: Yes, ma'am.

12 THE COURT: I know you pled guilty and everything,
13 but I'm still going to tell you your appeal rights. The
14 Rules of the Court of Appeals provide that any appeal would
15 have to be noticed within 14 days of today's date. Your
16 lawyer would do that for you. If you take an appeal and you
17 can't afford a lawyer, then one would be appointed to
18 represent you at no cost.

19 With all of that, I condemn the actions that you
20 took in committing this crime. I congratulate you, however,
21 on the way that you handled this, and I express my hope and
22 confidence that you will make a good life in the future.

23 And Cathy said the second is Labor Day. Thank
24 you. The 3rd, September 3rd. Everything else is the same,
25 only it's not the 2nd, it's the 3rd. All right.

1 Mr. Langner, is that everything? Or is there
2 anything else from the government's standpoint?

3 MR. LANGNER: I don't believe so, Your Honor.

4 THE COURT: Mr. Eiglarsh, how about you? Anything
5 else?

6 MR. EIGLARSH: No, other than to thank the Court.
7 Obviously, we're very grateful, and to thank Mr. Langner and
8 his agents. They were incredible to work with, extremely
9 professional, decent people, and I'm just very grateful.

10 THE COURT: The fact that they were so pleasant to
11 work with probably says a lot about you too. Thank you.

12 THE DEFENDANT: Thank you, Your Honor.

13 THE COURT: We're in recess.

14 (Court adjourned at 10:41 a.m.)

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18 **REPORTER'S CERTIFICATE**

19 I, Maria V. Weinbeck, certify that the foregoing is
20 a correct transcript from the record of proceedings in the
21 above-entitled matter.

22

23 Certified by: s/ Maria V. Weinbeck

24 Maria V. Weinbeck, RMR-FCRR

25